

Transcript of Press Conference with  
U.S. Trade Representative Robert T. Zoellick,  
Ambassador Allen Johnson, USTR Chief Agriculture Negotiator,  
David Hegwood, Special Counsel to the Secretary Ann M. Veneman  
regarding the U.S. agenda for the World Trade Organization negotiations.

Thursday, July 25, 2002

MR. HEGWOOD: Good morning, ladies and gentlemen, and welcome to USDA. It's my pleasure to welcome you all here on behalf of Secretary Veneman. Also joining us this morning are Ambassador Johnson, Chief Agriculture Negotiator at USTR, and Bob Stallman, President of the American Farm Bureau Federation.

Today, Ambassador Zoellick will present to you the U.S. proposal for the WTO Agriculture Negotiations. At the same time Secretary Veneman is presenting the proposal to her counterparts from Australia, Canada, the European Union and Japan at the Quint Meeting, which she's attending in Japan this weekend. Ambassador Zoellick has been a tireless advocate for U.S. Agriculture, both at home and as he has traveled around the globe. Even when they are 10,000 miles apart, he and Secretary Veneman are working shoulder to shoulder on an ambitious trade agenda for U.S. agriculture.

America's farmers and ranchers are the best in the world. Their output, which is now around \$200 billion a year, has been expanding steadily. This growing output needs growing markets. That's why for agriculture, trade is growth.

The proposal we're presenting today addresses the fundamental inequities in world agricultural trade and helps to assure a secure and prosperous future for America's farmers and ranchers.

Ambassador Zoellick.

AMBASSADOR ZOELLICK: Thank you.

Well, good morning. I'm very pleased to be here today with David and our Chief Ag Negotiator, Al Johnson, leaders of America's farm and ranch community, and in particular Bob Stallman, head of the Farm Bureau, who kindly agreed to make some remarks after our presentation.

As Dave had mentioned, my friend and close colleague, Ann Veneman, is in Japan right now, and she's going to be speaking there about our proposal for liberalization in the farm trade talks with some of our key ministerial colleagues, and as David said, I just want to make a particular point about saying what a pleasure it's been to work with Ann. We worked with each other in the Reagan and the first Bush Administration, and frankly, that experience that we've had together I think has helped us try to put agriculture at the top of America's trade agenda.

Today we're unveiling our comprehensive package designed to open world agricultural markets to fair competition. This plan is a win for America's farmers, ranchers and consumers, a win for the world's poor nations, and it's a win for the global economy.

This initiative, which we'll introduce at a World Trade Organization meeting next week, is ambitious in both scope and timetable. It builds on the momentum launched in Doha last November, when we successfully initiated new global trade negotiations with a strong mandate for freer trade in agriculture. It is a time to bring other nations along as we step forward with substantial reductions and distortions in the world agricultural markets, distortions that hurt producers and consumers worldwide, especially those in the world's poorest nations.

First, however, a word about America's farmers and ranchers. America's farmers are second to none. They have led the world in agricultural productivity, quality and innovation. When they compete on a level playing field, they know they can win. Overall, one in three acres in America is planted for export. With 96 percent of the world population living outside the United States, our farmers and ranchers rely heavily on international trade to expand their markets and to sell their goods. America's farmers are a key to our economic strength and recovery. Dollar for dollar we export more wheat than coal, more fruits and vegetables than household appliances, more meat than steel, and more corn than cosmetics.

Reform in global agriculture is a key to world economic strength and recovery. Across all markets free trade has spurred global prosperity for the past 5 decades, but high barriers in farm products have prevented agriculture from being a full participant in this growth. And this has hurt America's farmers and farmers around the world.

Next a word about the impact of agriculture trade distortions on the world's poorest nations. The United States has heard their calls in these negotiations. Their farmers have been hit particularly hard. Agricultural products are the primary export for many developing nations. They cannot afford to subsidize their farmers, and they're hugely disadvantaged by an average world agricultural tariff of over 62 percent. As I have traveled throughout Latin America, Africa, Southeast Asia, I have seen, with my own eyes, the harmful impact of closed markets.

President Bush has made clear that opening markets for world-class farm products is our top priority. Our initiative would correct the inequities of high protection, export subsidies and trade distorting subsidies and global support in agriculture trade.

Now, this U.S. proposal rests on three principles: one, level the playing field; two, work towards the eventual elimination of barriers to the agricultural trade; and three, growing the market for world agricultural trade to benefit farmers and consumers.

First, we're proposing scrapping all export subsidies over 5 years. Second, we're calling for a drastic reduction in the average allowed farm tariff from 62 percent to 15 percent globally with a cap on tariffs of 25 percent. And third, we propose reducing trade distorting subsidies by over \$100 billion by setting a ceiling of no more than 5 percent of total agricultural production. The charts that AI will review with you demonstrate in the near term these steps will reduce wide inequities that exist between countries in agricultural market openness. Over time we envision the eventual elimination of agricultural trade barriers.

Now, this step is important now, because the last global trade negotiations, the Uruguay Round, only started the job. As many of you know, the compromise that finally incorporated agricultural trade into the new WTO at the start of 1995, exempted many of the status quo barriers and subsidies. Restrictions to trade were turned into tariff and then they were capped along with subsidies, and they

were frankly at or near existing levels, and that locked in the United States with lower barriers than its major trading partners.

Our proposal moves everyone lower, including us, and those with the highest barriers and subsidies are cut the most, as is only fair. Even with these bold cuts, because we propose working from a base of total farm production, the European Union's subsidy and tariff levels would reign a little higher than America's, but we would have closed the gap substantially, and we will continue to press to eliminate that gap.

Our strategy in these negotiations rests on a three-legged stool consisting of the U.S. Farm Bill, this proposal and the Doha WTO negotiations, and trade promotion authority. As with any stool, each leg is crucial to the overall design.

Now, the first leg is the U.S. Farm Bill. We recognize that the Farm Bill has gotten attention domestically and internationally, but the bottom line message is, is that the United States will protect its interests fully within WTO rules. And if other countries agree with us that world agricultural tariffs and subsidies are too high, then we urge them to join us at the negotiating table. We're ready to cut if others step up to the plate too.

Finally, a word about Trade Promotion Authority. This is the basic authority that the President needs to be able to bring home a trade package for an up or down vote in Congress without being subject to amendments. The past five presidents had this authority. Now, the bill that we've worked on has been passed through the House and the Senate, and it's now before a conference committee. I know that Chairman Thomas and Chairman Baucus worked late into the night last night, and they said they'd be continuing discussions this morning.

But today's event underscores the need to get TPA done because the negotiating process is moving and we need to be leading. We're urging Congress to complete action on Trade Promotion Authority as soon as possible. The world needs to know that the President and the Congress stand united on trade. Our trading partners must have the confidence that the deals they make with us will be the same ones that are ultimately voted on by the Congress.

And we greatly appreciate the support of the agricultural community and many of the people in this room for the help they've given us on trade promotion authority. Together we stand in our efforts to firmly establish U.S. global leadership and opening markets for the benefit of our nation and others. And now I will turn to my close colleague, Al Johnson, our Chief Ag Negotiator, who will speak with more detail about the proposal. But before I do, I want to thank him personally for his tremendous work with Congress, the groups here and many others in shaping this initiative. He's done a tremendous job working with USDA and those at our team at USTR. I am very proud of their work. So thanks, Al.

MR. JOHNSON: Thank you. First of all, thank you very much, Ambassador Zoellick. The President, you and Secretary Veneman have been on the forefront of advancing the agricultural trade agenda, and now is a critical point in that process. This proposal is about opening markets and expanding opportunities by creating a fair and growing global marketplace for our producers and agribusinesses. The bottom line is you can't paint a bright future for U.S. agriculture without trade. We're 2-1/2 times more dependent on trade than the rest of the economy, and our production grows every year. Our domestic consumption is relatively flat. And the population is outside our borders,

5.6 billion people, 96 percent of the world's population, which is growing faster than ours, per capita consumption is growing faster than ours. And as their diets change, they consume more value-added products, which we produce very effectively.

This is the first time since the creation of the WTO that a comprehensive proposal addressing very specifically all the trade distorting practices of the world has been put forward. Why now?

Well, the reason is because at Doha we had two successes. One was in the three pillars, and you're all familiar with substantial improvement to market access, reductions with a view towards phasing out export subsidies, and substantial reductions in trade distorting domestic support.

But we also had a second success, and that success was we said we wanted a very specific schedule to achieve these objectives. You might recall that the Uruguay Round took about 8 years. We said we want to do this in 3 years. And in agriculture we were even more specific. We said we want modalities by March of 2003, which is really the guts of the negotiations.

This proposal supports both of these successes and continues to move the process forward. The proposal is comprehensive, because none of the three pillars can stand alone. The proposal is ambitious because we must see leveling in all areas if we're going to see progress in any area. And the U.S. is leading because we must, if we are to succeed as we did in Doha, as we did in March of 2000, and as we did last month when we rolled out the first part of this comprehensive proposal at the export competition.

As Ambassador Zoellick has said, the Uruguay Round captured agriculture for the first time. That was very important. It was significant. But it's only a first step and has left us tremendous distortions. These Doha negotiations are about simplifying the rules and leveling the playing field. Then we need to move on to the next phase of eventual elimination of all tariffs and trade distorting practices.

So let me first start going through each step in the proposal.

Jason, if you would help me here.

Export subsidies. Let me start with what we talked about last month, to remind you of what we had said and call your attention to this chart. As you can see, the European Union uses about 90 percent of the world's agricultural export subsidies. Our proposal is very specific. Eliminate export subsidies in 5 years. We also called for the elimination of the export state trading monopoly control, such as the Canadian Wheat Board, and in the financial privileges that they enjoy as export state trading monopolies. We said eliminate the trade distorting effects of export taxes.

And we said, let's strengthen the disciplines of all countries in all practices as it relates to export credits, which is particularly important because as we move toward elimination, which is this side of the chart. As we move towards elimination we need to make sure that there aren't other ways in other programs that can circumvent that obligation to go to zero. Under market access, what we've said is let's reduce tariffs, both out of quota in tariff-only systems, using a Swiss formula which cuts high tariffs more than low tariffs, with no tariff being more than 25 percent.

As you can see from this chart, the U.S. average tariff is about 12 percent. The global average tariff is 62 percent. This would significantly level the playing field by bringing global tariffs down by about an average of 15 percent.

Give you a couple of examples of how--and I see some of my cattlemen friends here. In beef, for example, that would bring the average allowed tariff from 85 percent today to 17 percent under our proposal. Under apples it would take it from 67 percent down to about 14 percent. We want to eliminate all in-quota tariffs. We want to expand tariff rate quota quantities by 20 percent, and particularly want to strengthen disciplines on TRQ administration--tariff rate quota administration--to make sure that our farmers enjoy the benefits of this expanding TRQs, that encourages quota fill and greater transparency.

Want to eliminate the monopoly powers also of import state trading enterprises that will allow any interested party to import. And we want to eliminate the special safeguard as it relates to agriculture because we think it's out of date. It was put there for the purpose of tariffication but we do want to engage in import relief mechanisms as they relate to perishable and seasonal commodities.

And we also want to talk about sectorial initiatives. And what I mean by that is WTO plus. We want meaningful, comprehensive reform of leveling the playing field, but there are certain sectors out there that want to move farther. They might want to move all the way to zero. We want to encourage that and we want to participate, once we get a good deal for all of agriculture, to pursuing their objective in specific sectors. Then we want to agree on a specific date that these distorting practices will be eliminated.

Under domestic support, we basically want to simplify the rules as it relates to domestic support by creating two boxes. One is trade distorting, one is not trade distorting. Under the trade distorting we want to simplify domestic support disciplines, which means an end to the blue box exception, which is by definition, trade distorting. We want to reduce allowed levels to a ceiling of 5 percent of the value of agricultural production. And it makes sense that your amount of support would be somewhat reflective of what the value of your agricultural economy is.

We want to maintain the de minimis provision as a provision that's used broadly by a number of countries. Developing, as you know, have a 10 percent de minimis; developed countries have 5 percent, and we particularly want to maintain the green box provision because I think it's extremely important that we move countries towards non-distorting support, and as well as the number of programs where the conservation, environmental extension and otherwise that are under green box programs, that we want to encourage.

And finally, again, we want to promote sectorial initiatives, as we talked about under market access. As I said earlier, this proposal will get the job done by addressing all the unfair trade practices in the world in a comprehensive way. We are confident that our farmers can compete in this new environment. This negotiation is about rules and new directions. And while the Uruguay Round was a good first step, that approach is not good enough for the second step we must take now.

It's time to move forward with proposals that create opportunities for our farmers around the world by growing the markets, lowering the barriers, and eliminating distortion.

Let me just close by saying I appreciate Bob Stallman joining us today. As you'll see, we have a lot of support from the agriculture community. Bob and the Farm Bureau, have been on the forefront of trying to move trade forward.

And I know that you came in late last night, so I want to personally thank you for coming in. Thanks a lot, Bob.

MR. STALLMAN: Thank you, Ambassador Johnson, Ambassador Zoellick, David, it is certainly a pleasure to be able to join you at the announcement of this proposal. The American Farm Bureau has long been a proponent of fair and open trade, and we strongly support the package that the administration has put forth today. We're at a point in the World Trade Organization negotiations, where substantial progress can be made by reducing disparities in tariffs, eliminating export subsidies, and providing a fair method for limiting trade distorting domestic support levels. The administration has put forth a credible and aggressive proposal that will achieve these goals.

The Farm Bureau believes that a successful outcome of the WTO negotiations represents U.S. agriculture's best opportunity to open new markets and address unfair trade practices that hurt our farmers, both at home and in foreign markets. Current inequities must be addressed in order for U.S. farmers and ranchers to support any final agreement. As a package, this proposal meets that goal. As the nation's largest agricultural organization, we have a vested interest in ensuring that real progress is achieved. Exports are vital to the prosperity of American agriculture.

We applaud this administration's efforts to negotiate new trading routes that will level the playing field for U.S. farmers and ranchers and open doors to sell more of our products.

The WTO negotiations are at a stage where the rubber meets the road and member countries must put forth their best proposals to accomplish meaningful reform. The Farm Bureau believes the proposal announced to date sets the bar high for all countries.

For our negotiators to get the best results for American agriculture, the United States must also have trade promotion authority. The Farm Bureau urges Congress to complete its work on TPA and get a bill to the President quickly. That's absolutely vital to our prospects, for getting the best results for all sectors of our economy from these WTO negotiations and future trade agreements.

This proposal for agricultural trade that's been presented today, coupled with passage of trade promotion authority, will certainly strengthen U.S. agriculture.

Thank you.

QUESTION: Ted Aldensen (ph), the Financial Times. Ambassador Zoellick, I wanted to ask about why you're proposing maintaining the de minimis provisions. I mean those allow for billions of dollars in extra trade-distorting subsidies for developed countries like the U.S. and Europe. Why keep that in place rather than eliminating that as well, which would be a more dramatic move?

AMBASSADOR ZOELLICK: Well, as I mentioned, you know, the de minimis rule is one that came out of the Uruguay Round, and frankly, it's been particularly important for the developing countries. As I mentioned, their de minimis level is actually twice as high as the level is for developed countries. And part of this I think reflects two issues. One is, is that, you know, when it

comes time to do the actual accounting of all of these numbers, it's always a challenge to sort of, in the WTO context, make sure you've actually got the numbers right and people are playing fairly by the rules. And I think there was an understanding by, at that time, some 130, 140 countries. You get down to a certain level, and you're sort of starting to parse hairs on this, and that is basically a 5 or 10 percent level.

The second part of it is, is that with some of these developing countries in particular, and developed countries at a level of 5 percent, you might have some small program that might be related to a particular product, but it doesn't affect the overall thrust. But, you know, all that I would really say is that by focusing on de minimis, you are truly focusing on de minimis, because what you have here is a proposal that says, we'd like to cut a \$100 billion out of subsidies around the world. We'd like to eliminate export subsidies. We'd like to take tariffs and go from 62 percent and bring them down to about 10 percent or 12 percent globally on this. And those are huge, huge shifts here.

And what I really want to emphasize most of all, Ted, is, is that to look at this in kind of the stream of agriculture negotiations, as the Ag. community knows there was huge frustration because for 50 years you have industrial tariff being cut, the average industrial tariff is 10 percent. Ag. tariff is 62 percent. It took the Uruguay Round to cut the deal, to say, okay, let's get into the disciplines, and frankly, the United States made a big compromise. We said to impose those disciplines, we'll take inequality.

And the key thrusts of this are let's try to reduce that inequality--and we're not saying get it all done in one step, which I think is the major acceptance of others, having different policies, but let's start that process in a very serious way, and if we do, and there are other people who argued others on this, the other side, and say, we're willing to lower too. So you look at these numbers and you can see that we're willing to go down, but we've got to bring those at higher levels down more, which is only fair.

QUESTION: How much does the United States actually give up in this? It seems that the other countries are giving up far more than the United States.

AMBASSADOR ZOELLICK: Well, first off, you know, if you believe in trade and growth and opportunity, I hope none of us are giving something up in the sense that what we're trying to create is open markets and growth and that's been the basis for success in every market around the world. Now, in terms of subsidies and tariffs, you have these charts--and it's a little hard to see here--is, is that our average tariff today is 12 percent. And what we're suggesting--and the average global tariff is 62 percent. If you had the EU here, it would be about 31 percent.

The Cairns Group is about 30 percent of agricultural exporters because of the mix, okay? We're saying, look, we'll come down--and we're coming down from 12 to 5 percent as an average, and as part of this proposal we're saying the overall cap for all tariffs, all countries, 25 percent. And that's a pretty big reduction for a lot of products. But in return, at least we can get the average from everybody else down from 62 to 15, which is still three times higher than ours, and in the case of the European Union, this would still be 9. So when you start to hear the Europeans asking questions, and say, well, could we--if they think that's unfair, let's reverse. We'll take 9 and they can have 5.

[Laughter.]

AMBASSADOR ZOELLICK: And I'm sorry. Subsidies, let's say that I--my colleagues here don't realize you don't have hawk eye vision, and I could see that you may not be able to see this. On the trade-distorting domestic support, okay, this yellow is the EU. (Refers to chart). That range is \$60 to \$67 billion a year as a cap, okay, because of exchange rates, when you hear those different numbers, okay? Japan 33, the United States 19. So when you hear all the people talking about the Farm Bill from Europe, I've often wondered, well, again, are they willing to trade 19 for 67? I'll take that deal. What we're willing to say in this is let's bring these down globally, and with a principal of 5 percent of total domestic production. And where that would take us is the EU would have 12 billion, we'd have 10 billion, Japan, because they're a far smaller economy than our farm economy, would be 4 billion. So again, when EU starts to look at this, we'll take 12 if they want to have 10. That seems to me a fair deal.

But what we're trying to do is preserve the principles that I've suggested of pulling all these down, and in the process we're willing to go down too. Now, what AI also mentioned is the European Union has had another category of tariffs--or of subsidies called blue box. And we're suggesting folding those in because they're all production distorting. Right now blue box has no limits on it. Okay?

And then the last one is export subsidies, and this is the one that's been most pernicious around the world. When we were in that all-night session at Doha, this is the one where frankly you had about 2,500 in the room for it and maybe 1-1/2 that were against it.

And you can see why, because what export subsidies--and I've noticed in some reporting in otherwise fine newspapers, have mixed up the difference between export subsidies and domestic subsidies. It's an important distinction. Export subsidies are saying, we not only pay our people to grow the food, but because people won't buy it without lowering their own prices, we're going to pay people to buy it abroad. And this is what the developing countries and the Cairns Group are most anxious about.

We have, depending on the year, 10, \$20 million. The European Union has 2 to 2-1/2 billion dollars. Some of the other European countries have some numbers that come out here, Norway, Switzerland, and here's our proposal. Let's zero it out and do it over the course of 5 years.

So, again, I think for us the bottom line is, and this has been true for American agriculture, is, is that if you want to have fair competition, let's have fair competition, and this is simply a stage, going from the Uruguay Round to the next stage to try and reduce everybody lower. We'll take our share, and frankly, we still are lower than many others, as you see on these charts. But at the end of the day we want to move towards elimination, and the first place to do it would be export subsidies, and I think the benefit again will not be a limit, it will be growth.

QUESTION: Blair Pethel from Bloomberg News. Could you talk a little bit--you haven't addressed it so far--could you talk a little bit about what your plan--what the proposal does with non-tariff barriers? We have seen a lot of ostensible SPS issues being brought up that have stopped or slowed trade in certain commodities, and does it do anything specific to bring that in? And happy birthday, by the way.

[Laughter.]



AMBASSADOR ZOELLICK: I can't think of a better way to share it than with America's farm community. Thank you. And I plan to have a good meal tonight.

I'm going to ask Al to add to this, but what I want to do is play off his basic comment. The reason that we're trying to move now on this is, is that what we did in Doha was not only set the objectives in those three pillars, but we set a very rigorous schedule, and this is important for people that are interested in agriculture trade and trade in general, because we wanted to make sure that we're in the forefront of leading that process so that we can effect the debate and the framework as we move forward, but also we want to give it momentum. And one of the other aspects, we hope, about this proposal, is that it will give some energy and dynamism to the rest of the negotiations because for many countries agriculture is the key to moving on services and manufactured goods and others.

The focus of those--of the meetings that Al started to attend in June and he'll be attending next week, are those three boxes (Refers to chart). And so that is our primary sort of negotiating position.

Separately, one of the things that Secretary Veneman and I have done since our first weeks in office is to focus very heavily on the sanitary and phytosanitary issues because that is an increasing form of barrier to our products abroad, as we've seen in Russia and other places. And also some of the related issues of biotechnology. But that's not the heart of what the Doha negotiations are about. I mean, frankly, what we want to do in the Doha negotiations is to make sure that we keep those strong sanitary and phytosanitary rules, and make sure countries enforce them.

I don't know if you want to add to that.

MR. JOHNSON: The only thing I would to that is in addition to--as Ambassador Zoellick said, we've been working very hard with USDA, meeting regularly actually. I meet with the under secretaries on a regular basis, and comparing notes and how we're making progress on these problems. Whether the technical regulations, such as things related to--technological regulations, things like biotech or their SPS issues.

And what we're doing is we're saying that we're not going to tell other countries how to regulate. We don't want them telling us, but as long as it's science-based and risk assessed, then we respect that process, but as soon as it becomes nothing more than another excuse for a trade barrier, we're going to call a spade a spade. So that's number one. We're working on that. And this proposal strengthens the WTO, and by doing that it strengthens the SPS agreement, even though we're not trying to change it, because we're maintaining the credibility of the organization where that resides.

The other thing that we're doing, and I mentioned it briefly, is some of the nontariff barriers are basically the way they administer that access. You know, for example, in TRQs, we have problems as it relates to the way certain countries administer the tariff rate quota administration, so we've got very specific ideas on how we want to see that addressed, we want to see these quotas filled, we want to see transparency, so that doesn't occur.

I would just make one comment related to the earlier question, which had to do with what happens as we move towards this system and what happens at the U.S.

We agreed very specifically in Doha that says the long-term objective is to establish a fair and market oriented trading system through fundamental reform by strengthening rules and specific

commitments on support and protection, in order to correct and prevent restriction and distortions of world agricultural markets.

It's natural then that those who have the highest trade distorting activities will have to move significantly in order to move towards this objective that we have all set. And so what we have here is a vision for the future, and all the parties and participants in Doha and these negotiations need to move together to get to the endpoint that we've all said we want to achieve.

QUESTION: Pete Castro with Inside U.S. China Trade. As you know, China's been saying they've just joined the WTO and so we may not have to do as much. I'm just wondering if you could say what you expect from them?

And then on a related question, sort of more broadly, they've had all kinds of trouble implementing a lot of their agricultural commitments, and some in the industry would say, you know, we need a broader approach to this. We need to--instead of nickeling and diming them on, you know, you're not doing something on fertilizer or corn or whatever, just present it as one sort of comprehensive or systemic issue that China is generally not doing a whole bunch of things. Could you talk about what your strategy might be if that's something that you would pursue maybe?

AMBASSADOR ZOELLICK: Well, it's a good point to raise, and that's one of the reasons that Secretary Veneman is in Asia, because she's going on from Japan to have discussions in China, and focusing on some of those exact topics.

But let me take the first one, which is their role in the WTO. I was very pleased, as we had to run up to Doha to see the constructive role that the Chinese played even before they were members of the WTO, in trying to say the importance of getting the Doha agenda launched. And this was clear first to me at the meeting we had in June of 2001, the APEC meeting, where frankly, many of the East Asians were a little reluctant to move on this negotiation and China helped set the pace. That was also the meeting we got the breakthrough in terms of the issues by multilaterally in the evening between the United States and China to move them forward. And we had that same sense with China a democratic Taiwan as they came into the meeting at the end, and as you know, there was a summit meeting of APEC that again emphasized those issues.

I think China will be feeling its way for a little bit. I mean it's a new multilateral organization. China historically, you know, is cautious when it starts an organization. You look at its role in the UN and others. It feels its way. It sees its needs. There will be some developing countries that will look to China to play a larger leadership role. There will be other large developing countries like India that will need a little questioning about China, and frankly, having looked at the significant efforts that China has made over the past few years, and you have to acknowledge while there are many, many problems, they've done a tremendous amount in terms of trying to open that economy.

We think that they can stand as an example of a country that realizes openness has to be part of a growth and development strategy. Now if you take the area of agriculture, you'll find the same tensions in China that you find in many countries.

On the one hand they're going to need food, and one of the great benefits of bringing China into the WTO and the deal that we cut is that we expect billions of dollars of extra exports, and this is in a world where last year I think we exported about \$53 billion of ag goods around the world. On the

other hand they've got farmers that are going through a transition process and so you're going to see some tension on that. The same with biotechnology. The Chinese are some of the major developers of biotechnology. At the same time they have been using some methods that we're concerned about in terms of trying to keep our biotech product out.

And that's the whole heart of bringing them into the WTO, is to have--you know, we have these issues with the European Union, Japan. We'll have them with China. It's an earlier stage with China because they're just implementing this. But I hope and believe that they will be a constructive player.

And as for the question of did they already contribute, look, of course, they're going to make that point, but in reality if everybody at the table is supposed to ante up, they're going to have to ante up too. I mean they made their first bid to get in. They had to make certain reductions after the United States had made reductions for 50 years. Their auto tariff is 25 percent. Ours is 2-1/2 percent. So they've got a ways to go on some of these things too.

Now, as for the set of issues, this is going to be a complicated task, I mean, and frankly, whether it's the TRQs or the fertilizer or some of the biotechnology, China is--there are different groups. I mean the MOFTEC their trade agency that put this forward, has tried to be I think sincere in moving for the agenda. They have to deal with other ministries. They have to deal with other provinces. China is going through a leadership transition. This is not to give them excuses, and frankly, I personally feel, and I'm glad that Ann is going there, is that we have to send a strong message, particularly on these TRQs and other issues, that it's time to do what they said they were going to do.

But we want to try to work in a way that gets the results that gets our farm product in. You know, fights and retaliation are not your ideal. Sometimes you have to use them, but that's not the goal. And that's exactly one of the reasons that Secretary Veneman is going now, and expanding the range of offices that we talk with.

So for example, in biotech, it's not just a question of the trade ministry or the ag ministry, but you've got the health ministry and the environment ministry. So we have to work those better. And one of the things that we've done is we worked very closely with the American business community, and this is where the ag community helps us a lot. And also our embassy. Our ambassador has done a good job on that.

And I would just say, as long as we're on China, we were pleased, since we've got some people from the rice area here, we had some problems with Taiwan too, and we just were able to resolve some of those last week and make sure we had a good tender that got some good rice sales for the United States.

QUESTION: [Unintelligible] African News [unintelligible].com. For the trade officials in Africa, the attempt to decouple [unintelligible] subsidies and domestic support does not fly. As a matter of fact, as far as we are concerned, if U.S. is going to take this [unintelligible] that supporting the domestic farmers is what it takes for U.S. agriculture to go on, then they do not need lectures and admonitions about trade liberalization and notions about fair trade. Can you comment?

AMBASSADOR ZOELLICK: Well, you know, having spent a fair amount of time with Africa, and always meeting with the African ministers from East Africa, Southern Africa, West Africa, as well as when I meet them in Geneva, I think it's a little bit more complex picture. I mean number

one, I don't think that they will be against total elimination of export subsidies. In fact, my experience in dealing with them at Doha is that they were strong supporters of this, so I think they'll be very pleased with this as a push. And AI was with all the WTO delegations in June, and I think you'll find you can't do any better than zero.

Now, in terms of tariffs, you know, our average tariff is 12 percent. In many developing countries it's 60 percent. Just to take another developing country, just to sort of not to pick on Africa, in India it's about 112 percent. Now, those tariffs don't help developing countries because there are two effects of those. One is they make the price of food and goods more expensive for consumers in Africa, and so whatever else people are doing, whether it's apparel trade or whether it's other types of trade or manufacturing or services, that raises the cost of food.

And in addition, what people need to focus on more is what people call the south-south trade. There's been increasing research on this. A lot of those barriers keep out goods from other African countries, and so again, what we're willing to try to do is say, look, we're already at 12. We'll come down to 5 with a formula if others also come down, and that strikes me as a fair approach. We're still willing to have less protection than others are, but let's bring everybody down, and that will help their consumers, it will help their own African, inter-African trade.

On the domestic support, understand the frustration of this with African countries, and I've sensed it from talking with a lot of my colleagues, and it is a serious issue. And frankly, you know, what we would like to try to do on the path to total elimination is take that Uruguay Round inequity, here, here, here (refers to charts), and with developing countries here or with some of the de minimis rules, sort of slightly above that line, and say, okay, if we're going to move to zero here, we've got to do it in steps.

Now, if you could go zero everywhere, that was the position of the United States in the 1980s and the European Union just wouldn't even take it seriously. And I don't think they'd take it seriously today. So we'd like, as part of this negotiation, to have in the Doha Round an agreement on a date by which we'll move to zero for everything. But we've got to be realistic on how we're going to get here, and this is a fair and realistic proposal for the reasons that I said. It's based on a total farm production, and frankly, it still leaves us below say the European Union, but it gets us and reduces us in the right way. So for the African countries, I would say there's some tremendous possibilities here, but also let's not let the perfect be the enemy of the good on the way to the perfect.

QUESTION: Corbett Daly from AFX News. I'd like to ask you a little bit about the third prong that you mentioned, which is TPA. As you know, there are negotiations going on right now, and I'm wondering, A, how confident you are you've got the votes if they get a deal, and B, if that deal includes some sort of watered down version of Dayton-Craig? Would that be acceptable depending on the level of watered down ness?

[Laughter.]

AMBASSADOR ZOELLICK: I'm trying to think of some hydro response.

[Laughter.]

AMBASSADOR ZOELLICK: My mind is still working about drowning on that one.

As I mentioned, I was pleased to get the report. Some of my other colleagues were up quite late last night until about 2 a.m. that Chairman Baucus and Chairman Thomas were working hard to resolve these issues.

There is a wire story that Chairman Thomas said today that he is going to try his best to try to get the process done today. I don't know whether that is possible or not, but our message is, frankly, that this day is a good example of why the TPA discussion is not theory. This is reality. We have deadlines that we created in Doha. Doha reversed the failure in Seattle that everybody thought was a disaster for our economy and the world economy. So we did something good at Doha, but we also put some real fight into it, unlike some of the Uruguay Round, as Al mentioned.

Now, if we're going to be effective, we've got to mean what we say. We've got to keep moving, and, frankly, if we're going to be effective in leading the process of change, we've got to help put forward some of these ideas, and what we can hope will be seen as a bold negotiating proposal.

But as I mentioned, we've got to have Congress to back us. This is what is at stake, and I'll let Bob mention, for the farm community, we were talking about this as we came in, about how we hope this will help give some added momentum to the TPA process.

Now the last point is that, you know, do I believe that we can get it done? Yeah, we got it done through the House, certainly only by one vote, but I hope the composition of this and some of the other aspects will give us a shot at some other votes.

I was up talking to some of the new Democrats yesterday about some of their interests obviously in the Trade Adjustment Assistance issues, which, as we know, will certainly be much more than came out of the House package. A number of the new Democrats have said, first, they wanted environmental-labor, we gave them that; then they said they wanted some provisions dealing with investment, we gave them that; then they want TAA, we gave them that. At some point, I've got to say do you really want to support something because we've given you the things that we need.

But, you know, as for the final aspects, as you would expect in these negotiations, I just think, in floating back and forth, we have made very clear that I, and two of my colleagues, have recommended the veto of Dayton-Craig. Why? It's a bad thing. But today we're trying to talk about some of the good things, so I'll let Bob comment on them.

MR. STALLMAN: As the ambassador said, the debate over Trade Promotion Authority for any administration is no longer theoretical. This is real-world stuff. The ambassador and Al are over in Geneva. They're trying to get a good deal for American agriculture in negotiations, and until and unless we get it, we're not going to be able to get the best deal for agriculture, and we've been saying that over and over again to the Hill, and I think it is starting to set in.

I think the reality check that we are facing now, with the progress of negotiations for agriculture and not having Trade Promotion Authority, I think that is carrying some weight on the Hill. So we are just urging Congress to move quickly, and we concur, with respect to Dayton-Craig, that that just needs to be off of there, period, for us to be successful if we are going to have TPA in negotiations.

MR. RICHARD MILLS: We'll take one last question.

QUESTION: Thank you. Ed Maxiner Farm Progress News.

A two-for-one-question first is could you describe just basically the process that this proposal now goes through--ends up--we end up at the agreement, WTO members, [inaudible] modalities on agriculture in March.

And then, secondly, generally, can you talk about who you anticipate, in terms of countries, groups of countries around the world that would be most friendly or supportive of the proposal?

AMBASSADOR ZOELLICK: I was going to say, of course, it's just going to be a smooth slide to success, but since Al is going to be the one to do it, I'll let him comment on it.

[Laughter.]

MR. JOHNSON: Thank you.

We'll just describe the process. What we agreed to in March of this year, just so you know, to give you context, is we sat down for the first time as a negotiating group under the Doha negotiations, and we said we've given ourselves a very tight time line. We've got one year from March of 2002 to March 2003 to come up with the modalities, which again is the framework. It's the guts of the negotiation. How fast and how far are we reduced? These sorts of things. So we've got nine months left.

We did export competition last month. We're talking about market access this month and domestic support in September. What we want to do is make it clear that this is a package, and so as we meet with our WTO colleagues in the coming week--I leave on Saturday--as we meet with our WTO colleagues, we'll be drawing out and describing what our package is and getting reactions, which gets me to the second part of your question, which is what kind of support do we expect.

I think a lot of countries are going to be very positive that we are taking a comprehensive approach, we are taking meaningful reform, we are accepting, as I said earlier, the Uruguay Round approach isn't good enough. We have to level the playing field, and it is natural that those that have the highest distortions as we move towards addressing all unfair trade practices, it's natural that those who have the most distorted practices have the farthest to go, so that is what we have to start chipping away at, and I think we will find ourselves with a lot of support on that.

QUESTION: Thank you.

AMBASSADOR ZOELLICK: Let me make a stab at this.

Let me give you some of the play-by-play background. What Ann Veneman, and I, and Al, and David, and others did on the road to Doha, was to work very closely with the Cairns Group, we have different perspectives on some of these issues, very closely with developing countries, and frankly try to work with the European Union because the European Union is in the process of trying to transform its common agriculture policy too.

I think what you saw in the result there was a very strong coalition, and, frankly, the United States was the key to that--we often are because we are seen as kind of the swing player in this process

about moving forward agriculture reform. Well, that is the natural coalition that we are going to be starting with.

Second, one of the reasons that Secretary Veneman isn't with us today is because she's going to be talking about this with some of her key colleagues, and agriculture minister colleagues, about the importance of trying to move this forward.

Third, we've had some preliminary discussions with the Australians, and I think they will be positive. They should speak for themselves about the direction. They have their own issues and interests, but I think, when you wrap this up together, what a lot of people have been saying is, look, if this is going to happen, it's going to take the United States trying to lead, and that is exactly what we're putting forward here.

We're putting forward, in a fair way, in terms of saying if you really want to tackle agriculture in a serious way, everybody has got to lower, and we'll be part of that, but those that have the highest subsidies and the highest protection, need to come down more. That's a totally fair approach to be pushing on the table.

As Al said, we're doing it in a comprehensive way. The subsidies discussion actually wasn't scheduled until September, but we're trying to say, look, let's see how all these pieces fit together, and so the United States can guide that. With a little help from Trade Promotion Authority, we'll even get a little bit more.

The last thing I just want to say, by way of thanks, because we have a rather small number of people sort of working on this, but Al, and Jason, and David and others did a fantastic job. People from the farm community know. We talked to everybody that we could find on this, and I want to thank them because they gave us a lot of help on this, and I know that, for a lot of them, frankly, they've been frustrated by the international trade.

It is not an easy issue to sell back in farm country all the time because people look at these numbers, and they see the differences, and these are people that I am extremely proud are willing to stand by us as we try to reduce these barriers together, and they have helped us a lot, and we appreciate it.

MR. RICHARD MILLS: Thank you all.

[End of Briefing.]